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# HOMEOWNERS ASSISTANCE PROGRAM

## HAP



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# **Homeowners Assistance Program (HAP)**

**The Homeowners Assistance Program is a mandated program providing special relief through financial assistance to eligible military and civilian employee homeowners impacted by adverse real estate market conditions due to a base closure or realignment.**

**For a direct link and more information on the Homeowners Assistance Program, please visit the Sacramento District web page at:**

**[www.spk.usace.army.mil](http://www.spk.usace.army.mil)**

**800-811-5532 or 916-557-6850**



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# Overview

- What is HAP ?
- Who is eligible?
- What are the options?
- Tax consequences
- Application Process



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# Dates & Boundaries

- Announcement Dates: 9/30/93 & 3/12/99
  - The public announcement date is important because this is the point in time from which market impact studies and market value estimates are based.
- Program Approval Date:
- Program End Date:
  - Must Apply before ending date
- Approved Area



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# Basis for Program

- Homeowners Assistance Program (HAP) is authorized by Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 Public Law 89-754 (80 Stat. 1255, 1290) approved 3 November 1966, as amended.
- This Act authorized the Secretary of Defense to provide assistance to eligible military or federal civilian employee homeowners affected by base closure or reduction actions.
- Program was not designed to make a person whole again, but to provide relief from catastrophic losses. Decline in value before the announcement date will not be covered.



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# Who is Eligible?

- Military and Civilian Federal personnel who are employed at or near an installation being closed or realigned
- An employee of a Non-appropriated Fund Instrumentality (NAFI), operated at, or in connection with, the installation, and who is a U.S. Citizen
- A Federal employee, or NAFI, serving overseas at the time of the announcement, with reemployment rights at the affected installation



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# Who is Eligible?

(Continued)

- An employee who transferred overseas from an affected installation, within 3 years prior to the announcement.
- Military personnel who transferred from an affected installation within 3 years prior to the announcement if they were informed of a future programmed reassignment to the affected installation.
- Employees who were terminated, transferred, or were ordered into on-post housing within six months before announcement.



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# Who is Eligible?

## (Continued)

Employment or service may be considered terminated if the applicant:

- Elects to retire if in an affected position
- Elects not to re-enlist in Military Service
- Voluntarily resigns from a job which will be abolished at the closing installation
- Is transferred to a position or assignment that is scheduled for termination as a result of the closure or reduction action
- Elects to accept employment beyond a normal commuting distance from dwelling for which compensation is sought





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# Who is Eligible?

## Must Be:

- Employed at or near the affected installation on the announcement date
- Owner and occupant of the property on the announcement date
- Having to relocate out of the area and accepted other employment

*When in doubt, please call us at  
(800) 811-5532 or (916) 557-6850*



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# Options

- Private Sale – Private Sale Augmentation
- Government Acquisition
- Foreclosure – VA Compromise

***Only ONE of the Options MUST be indicated  
on the DD Form 1607***



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# Appraisals

## **Contract with local appraisers who will:**

- Determine value on announcement date – PFMV
- Determine value on date home sold or date of Government purchase – CFMV

*Appraisals are based on comparable sales  
that took place in your neighborhood on  
the date in question*



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# Private Sale

An eligible applicant may be reimbursed in connection with the private sale of the dwelling in an amount not to exceed the difference between 95% of the appraised fair market value of the property on the announcement date and appraised fair market value of such property at the time of the sale or the sales price, whichever is greater.

*If your current value is more than the prior fair market value, you are not entitled to benefits, including closing costs.*



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# Private Sale

(Examples)



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# Sale above Appraisal

Prior Fair Market Value (PFMV)	\$100,000
	x .95
95% of PFMV	\$ 95,000
Actual Sale Price	\$ 90,000
Appraised Date of Sale FMV	\$ 80,000
Payable to Applicant	\$ 5,000
(Less FICA & Federal Tax)*	

\*Based on difference of sales price & 95% of prior FMV



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# Sale Below Appraisal

Prior Fair Market Value (PFMV)	\$100,000
	x .95
95% of PFMV	\$ 95,000
Actual Sale Price	\$ 70,000
Appraised Date of Sale FMV	\$ 80,000
Payable to Applicant	\$ 15,000
(Less FICA & Federal Tax)*	

\*Based on difference of sales price & 95% of prior FMV

# Private Sale Augmentation

- Private Sale Augmentation Benefit is the same as a Private Sale Benefit but is paid to you up front at close of escrow to assist you by supplementing the amount of funds you have available to complete your sale.





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# Government Acquisition

In those cases where a Private Sale on reasonable terms and conditions is not possible, the Government will purchase the property for 75% of its prior fair market value, or for the amount of the outstanding mortgage, whichever is higher.

*NOTE: The Government will only pay off mortgages which existed at the time of the announcement. If refinanced, you must pay the difference between current mortgage and the prior balance before refinancing.*



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# **Government Acquisition**

(Examples)



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# 75% of PFMV

Prior Fair Market Value (PFMV)	\$100,000
	x .75
75% of PFMV	\$ 75,000
Outstanding Mortgage Balance	\$ 70,000
Appraised Date of Sale FMV	\$ 60,000
Payable to Applicant	\$ 5,000
(Applicant pays taxes and FICA on difference between \$60,000 and \$75,000)	\$ 15,000



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# Mortgage Balance

Prior Fair Market Value (PFMV)	\$100,000
	x .75
75% of PFMV	\$ 75,000
Outstanding Mortgage Balance	\$ 80,000
Appraised Date of Sale FMV	\$ 60,000
Payable to Applicant	\$ 0
(Applicant pays taxes and FICA on difference between \$60,000 and \$80,000)	\$ 20,000



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# Government Acquisition

## Reimbursement of:

- Mortgage Interest
- Taxes
- Hazard Insurance

## Paid From: (whichever is later)

- The date of vacancy
- Date COMPLETE application received
- Date of Program approval

## To the Date of Closing

*NOTE: Any cash payment due you will be applied to taxes (FICA/FIT) owed. Rent received by the applicant during this reimbursement period will be deducted from the reimbursed amount.*



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# Reminders

- Leave property clean
- Remove trash, debris & hazardous materials
- Cap leads to portable spas when removed
- Pool must be certified by licensed pool service
- Keep mortgage payments current
- Keep us advised of current address/phone number
- Turn in keys when vacating home to HAP or an approved agent or escrow will be stopped

***Be Patient !***



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# DON'Ts

- Remove appliances, fixtures, window coverings
- Turn off water or electricity if property has a pool or timed sprinklers

***You will be charged if clean-up is required***



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## **The Government will not be able to acquire your home until the following items are cleared or cured:**

- Litigation encumbering the property
- Liens (ex. Judgments, child support payments, tax defaults)
- Damages due to gross negligence
- Structural problems affecting marketability (ex. House sliding down hillside)
- Existence of environmental hazards & toxic wastes (ex. Paint, oil, tires, solvents, pesticides, car parts, empty containers with residue that stored used crankcase oil...)





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# Foreclosure

If the lenders have foreclosed on the property **AFTER THE ANNOUNCEMENT**, you may be reimbursed for the amounts you paid out as a result of the foreclosure (includes VA compromises)

## **This payback may include:**

- Direct cost of the judicial foreclosure
- Expenses and liabilities enforceable according to the terms of the mortgage
- Debts established against you by a Federal Agency for loans made, guaranteed or insured following liquidation of the security for such loans.



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# **Taxes**

- **HAP benefits are considered to be payments attributable to employment and are taxable as gross income. ALL HAP benefits are taxable including benefit options in which payments are made to a third party on the beneficiary's behalf.**
- **The Internal Revenue Service has ruled that program benefits are taxable as an addition to wages and withholding of taxes due is required Not considered capital gains.**
- **Where the benefit payment is large enough to cover the overall tax and FICA liability, we will withhold the taxes from the payment to the applicant.**
- **Where there is no payment made to the applicant, we will report to the IRS the taxable benefits.**



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# Appeals

- An Applicant may appeal because:
  - Of an unfavorable decision as to eligibility for benefits,  
or
  - He/she believes the benefits offered are insufficient
- Any written objection will be considered an appeal
- Must be within 180 days of notification



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# Processing of Appeals

- The appeal will be considered at the District level, and will be reviewed at the Division and HQUSACE level
- A determination will be made at each level as to whether or not a favorable action can be taken
- If favorable action cannot be taken, the appeal will be forwarded by HQUASACE to the Deputy Assistant Secretary of the Army (I&H) for final decision
- Applicant will receive a written decision



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# Application Processing

- Upon receipt of a completed application, allow 10 days processing to advise of eligibility status.
- If Eligible:
  - Order appraisals to determine prior and current fair market values
  - Notify applicant of values
  - Open escrow for Government Acquisition
  - Determine applicant's benefits for Private Sale
  - Process benefit payment documents



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# How to Apply



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# **Required Documents For All Applicants**

- **APPLICATIONS – DD Form 1607** with original signatures – (applicant and personnel officer) – **ALL** blocks **MUST** be completed; also, please explain all acronyms/abbreviations.
- **TRAVEL ORDERS** – (PCS, ETS, Retirement, etc.) and/or SF50B if civilian
- **PROPERTY DEED** – (with recording information) showing ownership of property when you acquired the home
- **PROOF OF OCCUPANCY** – Utility bill or Statement of Service covering time period which includes date of Base Closure Announcement



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# Additional Documents Required If Applicant Has Already Sold The Home **Private Sale**

- **PROPERTY DEED** – (with recording information) showing new owner
- **CERTIFIED CLOSING STATEMENT**
- **RELEASE OF LIABILITY** – (reconveyance deed)





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# Requirement Documents If Applicant Cannot Sell The Home **Government Acquisition**

- **PROOF OF EFFORTS TO SELL**
  - Listing agreement for a minimum of 90-120 days
  - Newspaper advertisement for 90 days
  - Broker letter explaining you owe more than current value
- **CURRENT LEASE AGREEMENT**
  - Refinance document showing principal balance paid minus interest
  - Disclosure statement
  - Pool certification



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# Our Commitment

- The Sacramento District is committed to assisting all applicants by expeditious processing of each application
- We understand that Base Closure/Realignment can have a dramatic affect on those being displaced and we will do everything we can to lessen the burden of the situation
- If you have any questions, please let us know and you will receive a prompt response to your inquiry

***HOMEOWNERS Assistance Program***

***1-800-811-5532***

***916-557-6850***